

Message Text

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TAGS: EFIN, BL

SUBJ: BOLIVIAN 1975 TREASURY BUDGET

REF: LA PAZ 1224

SUMMARY. AFTER TWO MONTHS OF UNCERTAINTY AND DEBATE GOB FINALLY APPROVED PUBLIC SECTOR BUDGET ALONG WITH TREASURY BUDGET FOR 1975. THE BUDGETS HELD NO SURPRISES AND REFLECTED EXTREME CONCERN WITHIN GOB ABOUT MONETARY IMPACT OF LARGE TREASURY DEFICIT WHICH GOB ATTEMPTED HID IN ITS PUBLIC PRESENTATION. INCOME ESTIMATES OF TREASURY WERE INCREASED BEYOND REASONABLE LEVELS AS ONE MEANS HIDE MAGNITUDE OF UNFINANCED DEFICIT. NO MAJOR TAX MEASURES WERE INTRODUCED BY BUDGET LAW. EXPENDITURE ESTIMATES WERE 30 PERCENT ABOVE 1974 BUDGET LEVEL. MIN. DEFENSE BUDGET WAS 54 PERCENT HIGHER,, BRINGING ITS RELATIVE SHARE OF TOTAL TREASURY EXPENDITURES TO ABOUT 19.3 PERCENT.

END SUMMARY.

1. TREASURY REVENUE ESTIMATES BY GOB SHOWED INCREASE OF ABOUT 28 PERCENT OVER 1974 ESTIMATE AND 14 PERCENT INCREASE
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COMPARED TO ACTUAL 1974 PERFORMANCE. MAJOR REVENUE INCREASES

WERE PROJECTED, MAINLY ON BASIS HIGHER CUSTOMS COLLECTION ESTIMATE, DESPITE RECENT TARIFF REDUCTION (SEE LA PAZ 1224), AND TOTALLY UNREALISTIC SUGAR CONSUMPTION TAX ESTIMATE. LOWER COLLECTIONS WERE PROJECTED FOR PETROLEUM AND MINERAL EXPORT TAXES DUE TO EXPECTED LOWER AVERAGE WORLD PRICE FOR THESE PRODUCTS IN 1975.

2. EXPENDITURE PROJECTIONS SHOW OVERALL INCREASE OF ABOUT 30 PERCENT COMPARED TO 1974 BUDGET AND ABOUT 31 PERCENT COMPARED TO ACCRUED 1974 OUTLAYS BY TREASURY. MAJOR PROJECTED INCREASES BY FUNCTION ARE FOR CURRENT OPERATIONS, INVESTMENT AND EXTERNAL DEBT INTEREST AND AMORTIZATION. BY PROGRAM, MINISTRY OF DEFENSE SHOWS INCREASE OF 54 PERCENT AND MINISTRY OF INDUSTRY AND COMMERCE INCREASE OF 49.1 PERCENT FOR REASONS NOT YET KNOWN TO US. DEFENSE BUDGET ABOUT 19.3 PERCENT OF TOTAL WHILE INDUSTRY AND COMMERCE BUDGET LESS THEN 3 PERCENT. MINISTRIES OF EDUCATION, HEALTH AND AGRICULTURE COMBINED BUGETS WHOW INCREASE OF ABOUT 13 PERCENT COMPARED TO 1974.

3. GOB'S OVERALL DEFICIT ESTIMATE FOR TREASURY IS APPROXIMATELY \$B 1,099 MILLION OF WHICH ABOUT \$B 584 MILLION UNFINANCED, ALTHOUGH GOB HAS PUBLICLY PRESENTED TREASURY BUDGET AS BALANCED. MOREOVER, GOB PROJECTION ALSO COVERED UP VARIOUS MANIPULATIONS SO THAT UNFINANCED DEFICIT WOULD BE CONSERVATIVELY AS MUCH AS \$B 780 MILLION.

4. MISSION ESTIMATE OF 1975 REVENUE APPROXIMATELY \$B 250 MILLION LESS THAN TREASURY ESTIMATE, PRIMARILY DUE TO EXPECTED LOWER COLLECTIONS ON SUGAR. 1974 TREASURY BUDGET ESTIMATE FOR SUGAR COLLECTIONS WAS \$B 299 MILLION; HOWEVER, ACTUAL COLLECTIONS ONLY \$B 88 MILLION. MISSION BELIEVES THIS PERFORMANCE WILL BE REPEATED 1975 AS WORLD SUGAR PRICE DECLINES WILL MAKE SUGAR PROCESSORS EVEN MORE HOSTILE TO ATTEMPTED COLLECTIONS. OTHER COMPARATIVE ESTIMATES SHOW MISSION SOMEWHAT HIGHER ON CERTAIN TAXES, SUCH AS CUSTOMS AND SLIGHTLY LOWER ON MINERAL/PETROLEUM EXPORT TAX COLLECTIONS THAN TREASURY ESTIMATE.

5. OUR EXPENDITURE PROJECTION IS GENERALLY COINCIDENT WITH GOB EXCEPT THAT WE EXPECT SMALLER INVESTMENT OUTLAYS--ABOUT LIMITED OFFICIAL USE

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\$B 200 MILLION LESS. SUPPLEMENTAL BUDGET PROCESS MAY ALLOW FOR INCREASES FOR PARTICULAR MINISTRIES' BUDGETS SUCH AS HEALTH AND EDUCATION.

6. OUR PROJECTED DEFICIT IS APPROXIMATELY \$B 1,112.4 MILLION OF WHICH \$B 784 MILLION UNFINANCED. HOWEVER, TIME LAG OF ABOUT SIX MONTHS IS ANTICIPATED BEFORE EFFECTS THIS DEFICIT WILL BEGIN CAUSE PRESSURE ON PRICES AND THE BALANCE OF

PAYMENTS. MISSION CONSERVATIVELY ESTIMATES 15 TO 20 PERCENT
INCREASE IN PRICES AND \$ 30 MILLION B/P DEFICIT GIVEN
EXPECTED FISCAL DEFICIT. SOME PORTION OF PRESSURE WILL BE
LAGGED INTO 1976.

7. COMMENT. BESIDES FALSO PRESENTATION OF BUDGET AS BALANCED,
GOB CHOSE TO INSERT SEVERAL MISLEADING REVENUE AND FINANCING
ESTIMATES. THEREFORE, USERS OF GOB OFFICIAL BUDGET
DATA SHOULD EXERCISE GREAT CARE. COPIES OF BUDGET AND MORE
DETAILS ON TREASURY AND MISSION ESTIMATES ARE BEING POUCHED.
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